GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:266
ANSWERED ON:31.08.2007
DEEPAK PAREKH COMMITTEE ON INFRASTRUCTURE FINANCING
Mane Smt. Nivedita;Rao Shri Kavuru Samba Siva

Will the Minister of FINANCE be pleased to state:

(a) Whether the Committee on Infrastructure Financing headed by Mr. Deepak Parekh has submitted its final report;

(b) If so, the details thereof and the action taken thereon;

(c) Whether any safeguard against utilising forex reserves to finance infrastructure projects has been envisaged; and

(d) If so, the details thereof?

Answer

MINISTER OF FINANCE (SHRI P.CHIDAMBARAM)

(a), (b), (c) and (d) A Statement has been laid on the table of the House.

(Lok Sabha Starred Question No. 266 for 31.8.2007 on Deepak Parekh Committee on Infrastructure Financing by Shrimati Nivedita Mane and Shri K.S Rao- Statement to be laid on the Table of the House)

(a) and (b) The Committee on Infrastructure Financing headed by Mr. Deepak Parekh submitted its final report. The Report has recommended measures to develop the domestic debt capital market, to tap the potential of the insurance sector, to enhance the participation of banks, financial institutions and large NBFCs in infrastructure financing, to facilitate equity flows into infrastructure, to induce foreign investments into infrastructure and to utilize foreign exchange reserves for infrastructure development. The report has also made several fiscal recommendations to encourage private finance flows into infrastructure.

A meeting chaired by Finance Secretary was held on 11 July, 2007 to examine the recommendations made in the report. Representatives of RBI, SEBI, IRDA, Department of Financial Sector and Capital Market Division attended the meeting. Some of the major recommendations were discussed in the meeting and Action Points have been finalised.

(c) and (d) The proposal to utililize foreign exchange reserves envisages that a SPV be established to receive forex funds from the RBI and lend to Indian companies implementing infrastructure projects in India or to co-finance their ECBs for such projects solely for expenditure outside India. Though this proposal has built in safeguard against monetary expansion, it is understood that the overall framework needs to be consistent with the legal requirements, must exhibit fiscal prudence, ensure integrity of RBI`s balance sheet and be consistent with global best practices. It would be ensured, in consultation with RBI, that necessary safeguards are fully incorporated in the modalities decided upon.